

**CANADIAN
CAR & FOUNDRY
COMPANY
LIMITED**

**THIRTY-SECOND
ANNUAL
REPORT
1941**

MONTREAL - CANADA

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CANADIAN CAR & FOUNDRY COMPANY, LIMITED

BOARD OF DIRECTORS

V. M. DRURY	-	-	<i>President</i>
W. F. ANGUS	-	-	<i>Vice-President</i>
L. A. PETO	-	-	<i>Vice-President and</i> <i>General Manager</i>
W. S. ATWOOD	-	-	<i>Vice-President</i>
HON. C. P. BEAUBIEN, K.C., MONTREAL			W. A. EDEN, MONTREAL
WILLIAM HARTY KINGSTON, ONT.			J. C. NEWMAN, MONTREAL

EXECUTIVE OFFICERS

V. M. DRURY	-	-	<i>President</i>
L. A. PETO	-	-	<i>Vice-President and</i> <i>General Manager</i>
W. S. ATWOOD	-	-	<i>Vice-President</i>
A. C. BOURNE	-	-	<i>Secretary</i>
P. C. McLACHLAN	-	-	<i>Comptroller and Treasurer</i>

GENERAL OFFICES

621 CRAIG STREET WEST, MONTREAL

SOLICITORS

WAINWRIGHT, ELDER & McDougall, MONTREAL

BANKERS

BANK OF MONTREAL
THE ROYAL BANK OF CANADA

CANADIAN CAR & FOUNDRY COMPANY, LIMITED

AND WHOLLY OWNED SUBSIDIARY COMPANIES

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CONSOLIDATED STATEMENT OF EARNED SURPLUS

at September 30, 1941

Combined net operating profit for the fiscal year ending September 30, 1941, before charging depreciation and providing for Income and Excess Profits Taxes..... \$2,356,435.20

ADD:

Dividends received from partly owned subsidiary.....	\$ 61,242.00	
Interest on Investments.....	6,810.65	68,052.65

Total Income.....		<u>\$2,424,487.85</u>
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DEDUCT:

Fees of Directors and Executive Committee \$	8,991.13	
Salaries of Officers.....	114,535.00	
Legal Expenses.....	6,201.85	129,727.98

Profit for the fiscal year before charging Depreciation and providing for Income and Excess Profits Taxes..... 2,294,759.87

DEDUCT DEPRECIATION:

Property written off during the year.....	\$ 182,705.47	
Additional reserve provided.....	810,168.24	992,873.71

Balance of Profits.....		<u>\$1,301,886.16</u>
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DEDUCT:

Provision for Dominion and Provincial Income Taxes and Excess Profits Taxes.....		600,000.00
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Net Profit for the fiscal year.....		<u>\$ 701,886.16</u>
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Surplus at September 30, 1940..... \$3,265,901.15

DEDUCT:

Prior year adjustment re depreciation.....	60,195.95	
	<u>\$3,205,705.20</u>	

ADD:

Net recovery to date from award to Agency of Canadian Car and Foundry Company, Limited, after making provision for United States Taxes in the amount of \$1,900,000.00 and providing for all known liabilities for fees and expenses.....	4,026,913.72	7,232,618.92
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Together.....		<u>\$7,934,505.08</u>
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DEDUCT:

Dividends declared and paid on Preference Shares. \$1.32 per share for current year.....		369,600.00
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BALANCE OF SURPLUS AT SEPTEMBER 30, 1941..		<u><u>\$7,564,905.08</u></u>
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CANADIAN CAR & FOUNDRY COMPANY, LIMITED

AND WHOLLY OWNED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

at September 30, 1942

(EXPRESSED IN DOLLARS)

ASSETS

CAPITAL ASSETS:

Real Estate, Buildings, Machinery and Equipment at depreciated reproductive values as appraised in 1930 by the Canadian Appraisal Company, Limited, plus the cost of subsequent additions (Net).....	19,847,697.28	
Less: Reserve for depreciation provided since above date.....	3,146,331.86	
		16,701,365.42

DEPOSITED with The Royal Trust Company as guarantee under Workmen's Compensation Act of Quebec—Government Bonds.....		1,500.00
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INVESTMENT IN AND ADVANCES TO PARTLY OWNED SUBSIDIARY COMPANY:

Investment at Cost.....	470,625.00	
Current Account.....	8,535.58	
		479,160.58

INVESTMENTS IN OTHER COMPANIES, at cost

Canadian Associated Aircraft Limited.....	\$ 166,700.00	
Central Aircraft Corporation.....	75,000.00	
Canadian Car Munitions Limited.....	1,000.00	
		242,700.00

CURRENT ASSETS:

Stocks of manufactured and partly manufactured products, materials and supplies, certified by responsible officials of the Company, valued at cost or market prices, whichever were lower (less reserve), also expenditures on British Air Ministry contracts less relative progress billings.....	9,904,250.90	
Accounts Receivable (less reserve).....	7,851,091.03	
Investment in Dominion of Canada Bonds (Market value \$73,875.00).....	74,062.50	
Cash on hand and with Bankers.....	4,916,754.85	
		22,746,159.28
DEFERRED CHARGES.....		231,685.03
		<u>\$40,402,570.31</u>

AUDITORS REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of the Canadian Car & Foundry Company, Limited, and its wholly owned Subsidiary Companies for the year ending September 30, 1941, and have obtained all the information and explanations which we have required. Provision has been made for Income and Profits Taxes in respect to the current year's operations of the Company and its subsidiaries in amounts considered by the Management to be sufficient and this provision is subject to final determination by the Income Tax Department, but no provision has been made for possible taxes that may be payable in connection with the ultimate distribution of the surplus of the Agency of the Canadian Car & Foundry Company, Limited—a wholly owned subsidiary operating in the United States.

On the above basis we report that, in our opinion, the above Consolidated Balance Sheet at September 30, 1941, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the Canadian Car & Foundry Company, Limited, and its wholly owned Subsidiary Companies, after making provision of \$992,873.71 on account of depreciation for the year, according to the best of our information and the explanations given to us and as shown by the books of these Companies.

In accordance with the provisions of Section 114 of the Companies Act 1934, we also report that the profits of a partly owned subsidiary company have been included in the above accounts only to the extent of the dividends declared and received therefrom, the balance of profits being carried forward on the books of the subsidiary company.

PRICE, WATERHOUSE & CO.,
Auditors.

MONTREAL, January 5, 1942.

NDRY COMPANY, LIMITED

UBSIDIARY COMPANIES

BALANCE SHEET

er 30, 1941

NADIAN DOLLARS)

LIABILITIES

CAPITAL STOCK:

Preference:

Seven per cent cumulative and participating.	
Authorized and issued 300,000 shares of \$25 each	\$7,500,000.00
Less: Purchased for	
retirement 20,000 shares of \$25 each	500,000.00
Outstanding.....	280,000 shares of \$25 each 7,000,000.00
(Dividends in arrear \$2,674,000.00)	

Ordinary:

Authorized 400,000 shares of no par value.	
Issued 365,800 shares of no par value.....	9,145,000.00
	<u>16,145,000.00</u>

CURRENT LIABILITIES:

Bank Loans—secured under Section 88 of The	
Bank Act.....	5,390,400.00
Accounts Payable and Payrolls.....	6,402,844.15
Provision for Dominion, Provincial and other Taxes	2,967,095.41
Dividend Payable.....	123,200.00
	<u>14,883,539.56</u>

OPERATING AND MISCELLANEOUS RESERVES..... 616,000.00

DEFERRED CREDIT, representing unrealised exchange differences. 384,018.25

CAPITAL SURPLUS:

Balance at September 30, 1940.....	836,899.69
Less Minor Adjustments during year (Net).....	27,792.27
	<u>809,107.42</u>

EARNED SURPLUS—per attached statement 7,564,905.08

\$40,402,570.31

Approved on behalf of the Board:

V. M. DRURY,
Director

W. F. ANGUS,
Director

L. A. PETO,
Vice-President and General Manager.

THIRTY-SECOND ANNUAL REPORT

Year Ending September 30, 1941



TO THE SHAREHOLDERS:

Your Directors submit herewith the Thirty-Second Annual Report of your Company and of its wholly owned subsidiary Companies, covering combined operations for the year ending September 30, 1941.

Domestic business suffered from the priorities exercised in favor of war-time demands, and thus none of the orders received for new cars were actually completed during the period under review, with the result that while substantial orders for cars for use at home and abroad were on the books, and considerable inventories were purchased and were on your premises for a number of months, your car-building shops were comparatively idle throughout the Company's fiscal year. Recent weeks have seen some improvement in this regard, and some further relief is anticipated during the coming year. It seems doubtful, however, that the situation will permit the placing of contracts by the Railroad Companies for rolling stock to the extent that could be normally expected by reason of the volume of business now moving over the railroads in Canada. This condition, however, augurs well for new business of this character in the future.

Work on aircraft contracts has proceeded under difficulties which were not foreseen at this time last year. Construction of Hurricane fighter aircraft at your Fort William Plant had hardly reached the maximum contract requirements when delays were incurred through modifications and changes made necessary from time to time by developments in the type of combat on the front lines in various parts of the world. Thus, while under our original schedule we would have by this time completed our total orders for 1200 of this type of aircraft, only about half of the total has been shipped. Contracts for other aircraft and components have moved along at close to scheduled rate production, and mention may be made of the fact that

your Amherst Works produced the first Canadian-made Avro-Anson (twin-engine advance trainer) aircraft in August last.

Your Company's propeller plant in Montreal is now in production, our new propeller having passed the necessary Government tests. In addition to the orders from the Canadian Government, your Company has received a substantial contract for propeller blades for the United States Government.

Production of shells of large calibre has also suffered from changes made necessary by the type of warfare being waged. Such work as has been done, however, has proven satisfactory in every respect.

Since the last Annual Report, the shell-filling plant operated by Canadian Car Munitions, Limited, on behalf of the Canadian and British Governments, has been completed and is now in full operation.

As we have been unable to find any suitable work for your plant at Welland, Ontario, your Directors have decided to abandon all efforts in this connection and to dismantle and dispose of the property.

The report shows net earnings for the year, before provision for Depreciation, and for Income Taxes, of \$2,294,759.87 as against a corresponding figure of \$1,402,803.24 last year. The excess of Current Assets over Current Liabilities is up from \$2,353,984.36 to \$7,862,619.72—an increase of \$5,508,635.36 after having set up provision for Income Taxes in Canada and the United States to the extent of \$2,500,000.00. Bank loans stand at \$5,390,400.00, an increase of \$2,307,400.00 over the corresponding figure of a year ago. These loans have been a heavy burden throughout the fiscal year.

The Consolidated Surplus Account and working capital reflect the estimated net recovery from the award to Agency of Canadian Car & Foundry Company, Limited, by the Mixed Claims Commission, United States and Germany, after providing for all known liabilities for fees and expenses as at September 30th last. The accounts do not reflect an amount of more than \$8,000,000.00 still due to the Agency Company on account of principal and interest, respecting which any future receipts are dependent upon modifica-

tion of the Settlement of War Claims Act by the Congress of the United States of America. Your Directors are not in a position to know to what extent these 'futures' may be realized, but think it possible that some portion of same may be received during the coming year. United States Government taxes upon the amounts so far received by the Agency Company have not yet been assessed, but we believe that sufficient provision for same has been made in the statement submitted herewith.

The abnormal conditions hereinabove referred to, combined with the necessity of maintaining a strong working capital position, have in the opinion of your Directors, made it advisable in the best interests of the shareholders, to postpone for the present any decision as to the liquidation of the arrears in dividends on the Company's Preference Shares.

The operations of Canadian General Transit Company, Limited, have shown a very substantial expansion over the last year.

Your Directors deeply regret to have to record the death of the Hon. Lorne C. Webster on September 27, 1941. The late Senator Webster had acted as a Director of your Company since January 22, 1925.

Your Directors take this opportunity of expressing their appreciation of the loyal and efficient services rendered by the officers and employees throughout a very difficult year.

For the Directors,

V. M. DRURY,
President.

MONTREAL, January 9, 1942.

